



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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April 30, 2007

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **VISTA DEL MAR CHILD AND FAMILY SERVICES CONTRACT  
REVIEW – WRAPAROUND APPROACH SERVICES PROGRAM**

We have conducted a fiscal review of Vista Del Mar Child and Family Services (VDM or Agency), a Wraparound Approach Services (Wraparound) Program provider.

**Background**

The Department of Children and Family Services (DCFS) contracts with VDM, a private non-profit community-based organization, to provide and operate the Wraparound program. The Wraparound program is a family-centered and needs-driven program providing individualized services to children and their families such as, therapy, housing, educational and social assistance. The target population for the Wraparound program includes children who are currently or at risk of being placed in a Rate Classification Level of 12 to 14 group home, Metropolitan State Hospital, etc. VDM's office is located in the Second District.

DCFS paid VDM a monthly rate per child placement of \$5,994 for non-federally eligible children and \$2,997 for federally eligible children. DCFS paid VDM approximately \$4 million for Fiscal Year (FY) 2005-2006.

**Purpose/Methodology**

The purpose of the review was to determine whether VDM complied with its contract terms and appropriately accounted for and spent Wraparound funds in providing

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services to children and their families. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

VDM expensed approximately \$78,000 in program funds for transactions that were not allowed under the County contract. Specifically, VDM over charged the Wraparound program approximately \$74,000 in utility expenses and approximately \$4,000 for services provided without adequate supporting documentation. Subsequent to our review, VDM reallocated or reserved the \$78,000 to the appropriate programs.

VDM inappropriately expensed approximately \$885,000 in unspent Wraparound revenue from current and prior years on non-Wraparound expenditures. In addition, approximately \$677,000 of unspent Wraparound revenues for FY 2005-06 were not reserved for future Wraparound expenditures. Subsequent to our review, VDM reserved the \$1,562,000 to ensure the monies are used for future Wraparound expenditures.

In addition, as of March 2006, 185 (40%) of 457 outstanding checks totaling \$60,307 on the Agency's bank reconciliations were over 90 days old. Approximately 55% of the 185 outstanding checks were issued between 2002 and 2004. VDM's controller indicated that outstanding checks remain on their books for approximately three years prior to canceling the checks. Subsequent to our review, VDM cancelled all outstanding checks over six months.

The details of our review along with recommendations for corrective action are attached.

### **Review of Report**

On February 8, 2007, we discussed our report with VDM who generally agreed with the findings. In their attached response, VDM management indicates that the Agency will adopt all of the recommendations in the report. We also notified DCFS of the results of our review.

We thank VDM for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Patricia S. Ploehn, Director, Department of Children and Family Services  
Elias Lefferman, Ph.D., CEO, Vista Del Mar Child and Family Services  
Public Information Office  
Audit Committee

**WRAPAROUND APPROACH SERVICES  
VISTA DEL MAR CHILD AND FAMILY SERVICES  
FISCAL YEAR 2005-06**

**UNSPENT REVENUE**

Vista Del Mar Child and Family Services (VDM or Agency) received \$5,994 per month for each non-federally eligible child and \$2,997 per month for each federally eligible child assigned to them. In instances in which the Agency does not expense the entire monthly amount in providing services to a child, the Agency is permitted to use the excess revenue to fund services to a child that requires services in excess of the monthly rate. VDM is also permitted to carryover unspent Wraparound funding from one program year to another to provide additional Wraparound program services in subsequent years.

VDM did not reserve \$677,451 of unspent Wraparound revenue for Fiscal Year (FY) 2005-06 for future Wraparound expenditures. The unspent amount was reported as unrestricted income which could have been used for other programs. Subsequent to our review, VDM reserved the \$677,451 to ensure the monies are used for Wraparound expenditures.

**Recommendation**

- 1. VDM management ensure that future unspent Wraparound revenues are consistently reserved for future Wraparound expenditures.**

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenues are properly recorded in VDM records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliations for March 2006 for VDM's two bank accounts.

**Results**

VDM properly recorded and deposited cash receipts timely. However, as of March 2006, 185 (40%) of 457 outstanding checks totaling \$60,307 on the Agency's bank reconciliations were over 90 days old. The Agency issued 102 (55%) of the 185

outstanding checks between 2002 and 2004. VDM's controller indicated that outstanding checks remain on their books for approximately three years prior to canceling the checks. Subsequent to our review, VDM cancelled all outstanding checks over six months. In addition, the bank reconciliations were not signed and dated by the preparer.

### **Recommendations**

#### **VDM management:**

- 2. Resolve reconciling items in a timely manner.**
- 3. Ensure that monthly bank reconciliations are signed and dated by the preparer.**

### **EXPENDITURES/PROCUREMENT**

#### **Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

#### **Verification**

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for 35 non-personnel expenditure transactions billed by the Agency from July 2005 to April 2006, totaling \$249,972.

#### **Results**

VDM expensed \$963,671 in program funds for transactions that are not allowed under the County contract. Specifically, we noted the following:

- Two (6%) of 35 sampled expenditures totaling \$7,749 were related to utilities paid in December 2005 and April 2006. However, based on the Agency's Cost Allocation Plan, VDM over charged \$6,704 (87%) of the \$7,749 to the Wraparound program. As a result of our finding, the Agency reviewed all 34 utility meters and determined that they had over charged the Wraparound \$74,081 in error.
- One (3%) of 35 sampled expenditures in the amount of \$1,200 was to pay an independent contractor for psychological services provided to Wraparound participants. However, the contractor billed a higher rate than contracted. The amount over paid to the contractor was \$660.

- Three (9%) of 35 sampled expenditures totaling \$5,279 were to purchase items and services to meet specific family needs. However, \$3,282 (62%) of the \$5,279 was paid to provide services for non-Wraparound clients and \$492 (9%) was not supported by adequate documentation, bringing the total unallowable expenditures in these areas to \$3,774.
- VDM expensed \$885,156 in unspent Wraparound revenue from current and prior fiscal years instead of classifying the unspent funds as reserved revenue.

Subsequent to our review, VDM reallocated \$74,081 of utility expenditures to the appropriate cost centers and reserved the remaining \$889,590 to ensure the monies are used for future Wraparound expenditures.

### **Recommendations**

#### **VDM management:**

4. **Ensure the Wraparound funds are solely used for the program.**
5. **Maintain adequate supporting documentation for expenditures charged to Wraparound program.**

### **INTERNAL CONTROLS**

#### **Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations.

#### **Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals and tested transactions in various areas such as cash, expenditures, payroll and personnel.

#### **Results**

VDM needs to improve their internal controls to ensure that Wraparound funds are used solely for the program and supporting documentation is maintained.

#### **Recommendation**

**Refer to recommendations 4 and 5.**

**FIXED ASSETS****Objective**

Determine whether VDM's fixed assets purchased with Wraparound funds are used for the Wraparound program and that the assets are safeguarded.

We did not perform test work in this section as VDM did not use Wraparound funding to purchase fixed assets.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the Wraparound program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures of 11 (22%) employees, totaling \$12,807, for April 2006. We also reviewed the personnel files of staff assigned to the Wraparound program.

**Results**

VDM's salaries were properly supported and appropriately charged to the Wraparound program. The Agency also maintained personnel files as required by the County contract.

**Recommendation**

**There are no recommendations for this section.**

**COST ALLOCATION PLAN****Objective**

Determine whether VDM's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

**Verification**

We reviewed VDM's Cost Allocation Plan and selected sample expenditures incurred to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

As previously indicated, VDM's utility expenditures were not based on the Agency's Cost Allocation Plan and VDM charged the Wraparound program for non program related expenditures.

**Recommendation**

**Refer to recommendations 4 and 5.**





- VISTA DEL MAR CHILD AND FAMILY SERVICES
- REISS-DAVIS CHILD STUDY CENTER
- JULIA ANN SINGER CENTER
- HOME-SAFE
- FAMILY SERVICE OF SANTA MONICA

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March 1, 2007

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**RE: Fiscal Review, Vista Del Mar Child and Family Services Wraparound Program**

Dear Mr. McCauley:

Vista Del Mar Child and Family Services has reviewed the findings on the February 23, 2007 fiscal review report.

We agree to adopt all of the recommendations in the report.

Vista del Mar greatly appreciates the dedication, attention to detail, and cordial approach demonstrated by the DCFS audit team during our review process.

If you need further information, please contact me at (310) 836-1223, x 200 or our Chief Financial Officer Michelle McDonald at 310-836-1223, x 222.

Sincerely,

Elias Lefterman, Ph.D.  
President and Chief Executive Officer

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